DUKE ENERGY. CAROLINAS

DUKE ENERGY. PROGRESS

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January 17, 2014

VIA ELECTRONIC FILING

Mrs. Jocelyn G. Boyd
Chief Clerk / Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29211

RE: **Application Regarding the Acquisition of Progress Energy, Incorporated by Duke Energy Corporation and Merger of Progress Energy Carolinas, Incorporated and Duke Energy Carolinas, LLC**
PSC Docket No. 2011-158-E; Order No. 2012-517

Dear Mrs. Boyd:

In Order No. 2012-517 Approving Joint Dispatch Agreement ("JDA"), the Public Service Commission of South Carolina ("Commission") conditioned its approval of the JDA on, among other things, Duke Energy Carolinas, LLC's ("DEC") and Duke Energy Progress, Inc.'s ("DEP") filing with the Commission all reports the North Carolina Utilities Commission required DEC and DEP to file in Order *Approving Merger Subject to Regulatory Conditions and Code of Conduct*, issued June 29, 2012, in Dockets Nos. E-2, 998 and E-7, Sub 986 (Order Approving JDA at 43).

One report that must be filed in NC is Potomac Economics' report to FERC concerning DEC's and DEP's compliance with the interim and permanent mitigation measures meant to address FERC's market power concerns stemming from the DEC and DEP merger. The reports Potomac has issued October 1, 2013 through December 31, 2013, are attached. The reports find that DEC's and DEP's permanent market power mitigation projects are advancing as approved by FERC.

Please let me know if you have any questions.

Sincerely,

Timika Shafeek-Horton

Timika Shafeek-Horton
Deputy General Counsel

TSH/bml

cc: Shannon B. Hudson, ORS
Courtney D. Edwards, ORS
John W. Flitter, Director of Electric and Gas Regulation
Parties of Record

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POTOMAC ECONOMICS

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October 29, 2013

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., Room 1A
Washington, D.C. 20426

Re: *Duke Energy Corporation, Progress Energy, Inc.*
Docket No. EC11-60-004, *et al.*

Dear Ms. Bose:

Pursuant to the Commission's June 8, 2012 order in the above-captioned proceeding, the Commission ordered Permanent Mitigation Measures to address market power concerns associated with the merger between Duke Energy Corporation and Progress Energy, Inc.[1]

The Permanent Mitigation Measures involve construction of various transmission facilities. As the Independent Monitor, Potomac Economics, Ltd. is required to issue quarterly reports to track the progress of the mitigation projects. Included for filing is our report for the Third Quarter of 2013.

Respectfully submitted,

POTOMAC ECONOMICS, LTD.

By: */s/ Robert A. Sinclair*
Robert A. Sinclair, Vice President

[1] Order Accepting Revised Compliance Filing Slip Op. at ¶107, (June 8, 2012).

DUKE ENERGY

Duke-Progress Energy Merger Projects

FERC 3rd Qtr, 2013 Status Report

(Status Through September 30, 2013)

Prepared by: Steve Wilson, Sr. Project Manager

10/23/2013

Table of Contents

Portfolio Summary

Total Program Health:

Schedule	Financial
⟷	⟷
(favorable, stable)	(favorable, stable)

Portfolio Schedule Status

Project Name	FERC Agreement In-Service Date	Scheduled In-Service Date	Scheduled In-Service Date Status*
Roxboro-E. Danville 230kV Tie: Add Series Reactor (Concord Reactor Sta.)	07/01/14	06/01/14	On track
Lilesville-Rockingham 230KV Line #3 Construct	07/01/14	06/01/14	On track
Greenville-Kinston DuPont 230KV Line Construct	12/31/14	06/01/14	On track
Kinston DuPont-Wommack 230KV Line Re-conductor	07/01/14	06/01/14	On track
Wake-Carson 500kV Line Replace Line Traps and Revise Relaying	06/01/14	06/01/14	Complete
Durham-East Durham 230KV LIne-Uprate CT Ratio to 3000 amps	06/01/14	06/01/14	Complete
Antioch 500/230kV Substation: Replace Two Transformer Banks	07/01/15	06/04/14	On track
Person-(DVP) Halifax 230kV Line Re-conductor DVP Section (DVP work)	01/01/15	06/01/14	On track

* on track / at risk / unrecoverable / complete

Progress Energy - Duke Merger Transmission
FERC Quarterly Filing Cost Status Summary Report - All Projects

Financial View with AFUDC and Indirects in $thousands - September 2013 Closing

	Project To-Date Actual Cost	Actual Cost 2012	Current Estimte 2013	Current Estimate 2014	Current Estimate 2015	Total Current Estimate	FERC Merger Agreement Estimate (1)	Variance FAV (UNFAV)
Total (all work) excluding contingency	$60,942	$8,975	$79,596	$27,203	$243	$116,018	$144,543	$28,525
Assigned contingency (2)						$12,087	$0	
Un-assigned contingency (3)						$1,561		
Total estimate with contingency (4)						$129,666	$144,543	$14,877
Total Capital (contingency included in total only)	$50,756	$8,881	$66,838	$18,793	$243	$108,404		
Total O&M	$10,186	$94	$12,758	$8,410	$0	$21,262		

(1) March filing plus $7.8M AFUDC
(2) Assigned contingency is funding to cover the financial impact of identified remaining untriggred or unexpired risks should they occur.
(3) Unassigned contingency is savings held in the program to cover unexpected emergent risks.
(4) Total estimate with contingency variance is savings released from the portfolio of projects to fund other company business.

Project Information

Project Name:	**Roxboro - E. Danville 230kV Tie: Add Series Reactor (Concord Reactor Station)**
Reporting Period:	October 2013
Project Manager:	Billy Harrell (Duke)/ John Schechter (AEP-Relay)/ Mohammed Ahmed (AEP –Line)
Current Phase:	Execution – Close Out

Safety Summary:

No safety incidents or events

Scope of Work:

Construct a 230kV series reactor station adjacent to the existing Concord 230kV Substation. Loop the Roxboro-AEP East Danville 230kV South Line into the new reactor station and connect the reactor station 230kV bus to the Concord 230kV bus, and replace the existing 3-point relay scheme on the South Line with standard relay protection. Three new 230kV breakers and four single phase 230kV reactors (1-spare) are required in the Reactor Station. AEP is responsible for the necessary relay setting changes at their AEP East Danville 230kV Substation due to the addition of the Concord Reactor Station. AEP will upgrade their internal Danville-East Danville 138kV line to the 384 MVA Summer Emergency Rating by 03/31/2014.

Monthly Accomplishments:

- All Duke Energy – Progress work associated with this project is complete.
- Finalizing remaining invoices and engineering is in the process of completing construction as-builts.
- Site stabilization (erosion control) is in progress.
- AEP proceeding with upgrade of their Danville – East Danville 138kV line. AEP is on schedule to complete this line upgrade by March 31, 2014, which is in accordance with the Facilities Upgrade Agreement.

Challenges this Reporting Period:

- None

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$7,326,000	$6,013,000	$5,995,000	$3,883,000	$6,019,000	($6,000)

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Conceptual Design	03/19/12	05/25/12	05/25/12	Complete
Complete Site Design	05/29/12	08/15/12	08/15/12	Complete
Order Long Lead Materials/Equip.	05/29/12	08/31/12	08/31/12	Complete
Approve Environmental Permit	05/29/12	09/13/12	09/13/12	Complete
Complete Site Clearing and Grading	09/24/12	12/10/12	12/10/12	Complete
Complete Line Engineering	07/16/12	12/21/12	12/21/12	Complete
Complete Substation Engineering	05/14/12	02/01/13	02/01/13	Complete
Complete Relay Engineering	05/29/12	02/01/13	02/01/13	Complete
Complete Line Construction	03/18/13	06/06/13	05/28/13	Complete
Complete Substation Construction	12/18/12	06/06/13	05/24/13	Complete
Complete Relay Construction	12/19/12	06/06/13	06/06/13	Complete
Complete Substation Fine Grading	04/29/13	08/02/13	05/24/13	Complete
AEP Complete Relay Setting Changes	06/05/13	06/05/13	06/05/13	Complete
Commission (energize)	05/16/13	06/06/13	06/06/13	Complete
Upgrade AEP Danville – East Danville 230kV Line	03/31/14	03/31/14	03/31/14	On Schedule

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comment
LD Steel Poles	11/7/2012A	3/4/2013A	Delivered to site. T&B 368108R 93,502,494
Site Clearing & Grading	8/20/12 A	9/13/12 A	Completed. Phillips & Jordan
230kV Series Reactors (4)	07/18/12A	01/21/13 A	Delivered to site. (01321039/00632330)
230kV 3000A Cir. Bkrs. (3)	In Stock	In Stock A	GMX Stock, delivered to site
230kV 3000A Line Trap (1)	06/19/12A	01/07/13 A	Delivered to site. (01337476/00636135)
230kV CCVT's (7)	07/06/12A	01/20/13 A	Delivered to Site. (01321210/00630954)
230kV 50kVA Power Pot	In Stock	In Stock A	GMX Stock, delivered to site
Install Sub Foundations	10/12/12A	12/7/12A	Completed $619,212 Elite Construct, 221227-197

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
Grading bid higher than budgeted	Moderate	Moderate	~~$180,000~~	09/11/2012	Triggered
~~Delay in site grading permit~~	~~Low~~	~~Minimal~~	~~$82,000~~	~~09/13/2012~~	~~Not Triggered~~
~~Site grading schedule impact due to weather~~	~~Low~~	~~Minimal~~	~~$82,000~~	~~12/10/2012~~	~~Not Triggered~~
~~Subsurface and Overhead construction contract bids higher than estimated~~	~~Moderate~~	~~Moderate~~	~~$217,267~~	~~12/10/2012~~	~~Triggered~~
~~Site grading schedule impact due to rock~~	~~High~~	~~Minimal~~	~~$75,000~~	~~12/10/2012~~	~~Not Triggered~~
~~Could incur greater qty of variable units cost than estimated in site grading bid.~~	~~Moderate~~	~~Minimal~~	~~$85,000~~	~~01/19/2013~~	~~Not Triggered~~
~~Equipment delivery delays~~	~~Moderate~~	~~Moderate~~	~~$180,000~~	~~03/16/2013~~	~~Not Triggered~~
~~Scope changes during const.~~	~~Moderate~~	~~Moderate~~	~~$150,000~~	~~06/06/2013~~	~~Not Triggered~~
Delay in completing AEP Work	Low	Minimal	$45,000	03/31/2014	Not Triggered

* Not triggered, Triggered-Estimated Delay=? weeks **Total: $45,000** (EMV of remaining risks)

Released $150,000 for elimination of "Scope changes during const." risk. (June 2013)

Project Information

Project Name:	**Lilesville – Rockingham 230kV Line #3: Construct**
Reporting Period:	October 2013
Project Manager:	Phil Williams
Current Phase:	Execution

Safety Summary:

No safety incidents or events

Scope of Work:

Construct a 14 mile long new transmission line on existing right-of-way between the Rockingham 230kV Substation and the Lilesville 230kV Switching Station. Construction will be light duty direct-buried steel H-frame using 2515kcmil conductor. One 230kV tie breaker will be installed in the Lilesville Switching Station. The existing Robinson Plant 230kV Line will be relocated into a new bay position at the Rockingham Substation to open a position for the Lilesville Line. Three new 230kV breakers are required at Rockingham.

Monthly Accomplishments:

- Line construction work - T&D Solutions completed relocation of the Robinson 230kV line to the new bay last month. Remote end construction activities at Rockingham 230kV sub and Lilesville continue and are progressing well.

Challenges this Reporting Period:

- Line construction progress continues to be followed closely. One structure remains to be set; construction access to the structure #51 is underway in order to span a stream, the permit to allow for the access was recently received.

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$17,427,000	$14,315,000	$10,900,000	$10,174,000	$14,303,000	$11,000

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Substation Design Lilesville	12/01/12	04/23/13	04/23/13	Complete
Complete Clearing/Erosion Control Plan	06/14/12	08/31/12	08/31/12	Complete
Submit Environmental Permits	08/01/12	09/04/12	09/04/12	Complete
Complete Substation Engineering R'ham	12/07/12	04/02/13	04/02/13	Complete
Complete Relay Engineering	12/07/12	04/26/13	04/26/13	Complete
Complete Line Engineering	02/22/12	10/29/12	10/29/12	Complete
Complete ROW Clearing	11/28/12	04/30/13	04/30/13	Complete
Complete Line Construction	03/01/13	12/02/13	12/02/13	On schedule
Complete Substation Construction	06/17/13	12/02/13	12/02/13	On schedule
Complete Relay Construction	08/08/13	12/02/13	12/02/13	On schedule
Complete Substation Fine Grading	11/15/13	12/02/13	12/02/13	
Commission (energize)	12/02/13	12/02/13	12/02/13	

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
Engineered Poles	09/15/2012 A	03/05/2013 A	368108 r.486, delivery date moved to March to support schedule
LD Steel Poles	11/12/2012 A	3/5/2013A	$1.037,060, Thomas and Betts, 368108 R504, delivery date moved to support schedule
ROW Clearing	10/9/2012 A	10/29/12 A	$1299,353 – Burford Tree, 609800 WA 8
Construct Trans. Line	12/10/12 A	1/21/13 A	$2.5M – T&D Solutions 549100-12
230KV,Breakers (1)	In Stock	In Stock	GMX Stock Tagged for Project
230KV CCVT (3)	9/28/12A	5/3/13A	$17,874.00 (01353645/00643084)

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
Late material delivery	low	moderate	$300,000	10/31/2013	Not triggered
Permits not obtained by construction start	low	moderate	~~$300,000~~	2/5/2013	Not triggered
Major storm take construction resources away	low	moderate	$300,000	12/1/2013	Not triggered
Construction contract awards higher than estimated	moderate	significant	~~$500,000~~	1/3/2013	Triggered
Scope changes during const.	moderate	moderate	$200,000	12/1/2013	Not triggered

* Not triggered, Triggered-Estimated Delay=? Weeks **Total: $800,000** (EMV of remaining risks)

Project Information

Project Name:	**Greenville – Kinston DuPont 230kV Line: Construct**
Reporting Period:	October 2013
Project Manager:	Bob Pitts
Current Phase:	Execution – Construction Ongoing

Safety Summary:

No safety incidents or events.

Scope of Work:

Clear and construct a 26-mile-long new transmission line on existing right-of-way between the Greenville and the Kinston DuPont 230kV Substations. Relocate existing Wilson, Everetts and Aurora Lines. Two new 230kV breakers will be installed, one removed, and bus reconfigured at Greenville Sub. Three new 230kV breakers and a new line terminal will be installed in the Kinston DuPont Sub.

Monthly Accomplishments:

- Clearing contractor Burford's Tree has cleared the entire 200-acre right of way and is 100% complete with all activities.
- Line construction contractor Coastal Power has completed 99% of the work in segment one, 16% in segment two and 40% in segment three. The Greenville-Wilson relocation at the Greenville Sub is 15% complete and will be finished during a November 4th through 15th clearance.
- Subsurface work at Greenville is 98% complete, and the last three foundations will be installed in November. It is complete at Kinston DuPont.
- Overhead substation and relay work at Kinston DuPont is 80% complete and is on-going at Greenville, under the second of three clearances.
- Fall 2013 clearance on the Greenville Sub began October 8th and ends October 28th.
- On Friday October 11, 2013 at 20:11, relay construction contractor tripped the feed to Greenville Utility Commission transformers, dropping 133 MW of load for six minutes. A RCA for this HP event will be conducted on October 30, 2013.

Challenges this Reporting Period:

- None.

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$31,080,000	$32,148,000	$23,294,000	$19,146,000	$32,153,000	($5,000)

Current Estimate to Current Approved Target variance is a 0.02% increase and is well within the reporting accuracy.

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Conceptual Design	04/23/12	07/03/12	07/03/12	complete
Complete Line Clearing/Erosion Plan	07/30/12	09/28/12	09/28/12	complete
Submit Construction Permits	09/28/12	11/19/12	11/21/12	complete
Complete Substation Engineering (all)	07/09/12	12/14/12	12/14/12	complete
Complete Relay Engineering (all)	07/09/12	03/28/13	03/28/13	complete
Complete Line Engineering Ph 1 &2	07/11/12	01/29/13	01/29/13	complete
Complete ROW Clearing	11/05/12	09/30/13	09/30/13	complete
Complete Line Construction	12/10/12	05/16/14	05/16/14	on schedule
Complete Substation Construction	01/07/13	04/30/14	04/30/14	on schedule
Complete Relay Construction	03/18/13	04/30/14	04/30/14	on schedule
Complete Substation Fine Grading	04/03/14	05/30/14	05/30/14	
Commission (energize)	05/30/14	05/30/14	05/30/14	

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid	Delivery Date / Award Contract (P=projected)	Comments
LD Steel Poles	Phase 1: 09/10/2012 A	Phase 1: 12/02/2012 A	T&B, $768K, 368108R482
LD Steel Poles	Phase 2: 09/14/2012 A	Phase 2: 04/02/2013 A	T&B, $961K, Req 1393921
ACSS Conductor	Phase 1: 09/04/2012 A	Phase 1: 04/02/2013 A	Southwire, $709K, 639886 (36 reels have been delivered, 2 remaining)
ACSS Conductor	Phase 2: 09/10/2012 A	Phase 2: 08/19/2013 A	Southwire, $845K, 640107
ROW Clearing	10/9/12 A	10/29/12 A	$2,649,501 Burford,609800 WA 7
Substation Construction	10/2/12A	10/26/12A	$679,560 – Newberry, 195884-103
Construct Trans. Line	11/15/12 A	12/03/12 A	$5.7M Coastal Power 235938-36
G'vl Sub anchor bolt cages	08/03/12 A	10/01/12A	$145K
230KV Circuit Breaker	07/03/12 A	03/0713 A	$271,210.00(01325035/00630664)
3000A Line Trap (2)	07/09/12 A	04/01/13 A	$35,828.00 (01324970/00630330)
230KV CCVT (10)	07/03/12 A	04/03/13 A	$59,580.00 (01324939/00630738)
230KV PT (3)	04/17/12 A	09/26/12A	$27,990.00 (01292837/00618164)
230KV CT (3)	07/1/12 A	04/03/13 A	$23,170.00 (01324910/00632507)
230KV Cir. Breakers (3)	07/18/12 A	05/03/13 A	$325,815.00 01326035/00632408
230KV CCVT (6)	07/16/12 A	05/03/13 A	$35,748.00 01326018/00631961
115KV Power Pot (1)	NA	In Stock	GMX Stock

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value(EMV $'s)	Expiration Date	Status *
Late material delivery	moderate	moderate	$950,000	11/27/2013	Not triggered
~~Permits not obtained by construction start~~	~~moderate~~	~~moderate~~	~~$950,000~~	~~2/28/2013~~	~~Not triggered~~
Major storm takes const. resources away	moderate	significant	$1,850,000	11/01/2013	Not triggered
Const. contract awards higher than estimated	moderate	significant	~~$1,000,000~~ $703,000	2/1/2013	Triggered
Scope changes during const.	moderate	moderate	$500,000	6/1/2014	Triggered

* Not triggered, Triggered-Estimated Delay=? weeks **Total: $4,003,000** (EMV of remaining risks)

Project Information

Project Name:	**Kinston DuPont – Wommack 230kV Line: Re-conductor**
Reporting Period:	October 2013
Project Manager:	Bob Pitts
Current Phase:	Execution – Construction Ongoing

Safety Summary:

No safety incidents or events.

Scope of Work:

Replace the existing single 1272kcmil conductor with bundled 795kcmil ACSS conductor. Replace existing wood structures and some existing steel structures with light duty steel structures to support the bundled conductor. Remainder of the existing light duty steel H-frame structures remains in place.

Monthly Accomplishments:

- Line construction contractor Coastal Power & Electric completed segment one of three on May 30, 2013. They are 40% complete with the second segment.
- The line clearance for this segment started September 23rd and ends December 13th.

Challenges this Reporting Period:

- None.

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$19,980,000	$9,730,000	$6,306,000	$4,439,000	$9,707,000	$23,000

Current Estimate to Current Approved Target variance is a 0.24% decrease and is within the reporting accuracy.

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Conceptual Design	04/23/12	07/03/12	07/03/12	complete
Complete Erosion Control Plan	07/30/12	08/31/12	08/31/12	complete
Obtain Construction Permits	09/04/12	09/28/12	09/28/12	complete
Complete Substation Engineering	07/19/12	01/18/13	01/18/13	complete
Complete Relay Engineering	07/09/12	03/28/13	03/28/13	complete
Complete Line Engineering	07/09/12	12/20/12	12/20/12	complete
Begin Line Construction	11/05/12	11/05/12	11/05/12	complete
Complete Line Construction	05/30/14	05/30/14	05/30/14	on schedule
Complete Substation Construction	04/30/13	05/30/14	05/30/14	on schedule
Complete Relay Construction	05/20/13	05/30/14	05/30/14	on schedule
Commission (energize)	05/30/14	05/30/14	05/30/14	on schedule

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
LD Steel Poles	Phase 1 – 3: 08/24/2012 A	Phase 1 -3: 09/28/2012 A	T&B, $456K, 368108R453
ACSS Conductor	Phase 1: 09/07/2012 A	Phase 1: 04/02/2013 A	Southwire, $456K, 639671. (24 reels have been delivered, 1 remaining)
ACSS Conductor	Phase 2: 09/10/2012 A	Phase 2: 02/25/2014 P	Southwire, $328K Moved from 2/27/2013 to 2/25/2014 due to discovery of eagle's nest, 640104
ACSS Conductor	Phase 3: 09/10/2012A	Phase 3: 08/06/2013 A	Southwire, $398K, 640108
Construct Trans. Line	10/12/12 A	11/05/12A	Coastal Power - $3,099,550 235938 WA 33 –savings of $545K
Substation Construction	1/7/12A	1/26/12A	Utili-Serve, $232K, 473714 WA12 – savings of $43K

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
Late material delivery	moderate	moderate	$380,000	5/9/2014	Not triggered
~~Permits not obtained by construction start~~	~~moderate~~	~~moderate~~	~~$380,000~~	~~2/22/2013~~	~~Not triggered~~
Major storm takes construction resources away	moderate	significant	$380,000	11/1/2013	Not triggered
Line clearance durations inadequate for scope	low	significant	$380,000	5/30/2014	Not triggered
~~Construction contract awards higher than estimated~~	~~moderate~~	~~significant~~	~~$400,000~~	~~2/22/2013~~	~~Triggered & Offset~~
Scope changes during const.	moderate	moderate	$200,000	6/1/2014	Not Triggered

* Not triggered, Triggered-Estimated Delay=? Weeks **Total: $1,340,000** (EMV of remaining risks)

Project Information

Project Name:	**Wake – Carson 500kV Line: Replace Line Traps and Revise Relaying**
Reporting Period:	October 2013
Project Manager:	Billy Harrell (DUKE)/ Steve Binford (DOM)
Current Phase:	Close Out

Safety Summary:

No safety incidents or events

Scope of Work:

At Wake 500kV Substation, replace the existing 3000 amp line trap with a 4000 amp trap and replace 6 3000/5 CT's with 4000/5 CT's. Replace relay line panel at Wake Sub and modify existing relay panel. Coordinate with Dominion Virginia Power to up-rate the line trap in their DOM's Carson 500kV Substation. Duke Energy-Progress will reimburse DOM for all cost incurred. Billing will occur on a quarterly schedule and in advance of work performed. Once actuals are received the amounts will be evaluated and adjusted accordingly. Work scope for Dominion requires replacement of their 3000A line trap with a 4000A and relay setting revisions.

Monthly Accomplishments:

- Heavy Moving scheduled to remove CT's from substation and haul to warehouse. CT's will be added to warehouse stock and a credit will be made to the project.

Challenges this Reporting Period:

None

Financial Summary (Financial View with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$1,665,000	$869,000	$830,000	$808,000	$835,000	$35,000

Dominion Virginia Power charges came in less than initially anticipated.

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Conceptual Design	08/03/12	09/05/12	09/05/12	Complete
Complete Substation Engineering	09/10/12	01/11/13	01/11/13	Complete
Complete Relay Engineering	10/18/12	01/16/13	02/01/13	Complete
Complete Relay Settings	10/18/12	01/16/13	03/01/13	Complete
Begin Construction	04/15/13	04/15/13	04/15/13	Complete
Complete Substation Construction	05/10/13	05/10/13	05/10/13	Complete
Wake – Carson 500kV Line Clearance	04/29/13	05/12/13	05/12/13	Complete
Complete Relay Construction	04/15/13	05/12/13	05/12/13	Complete
DOM Completes Construction	03/22/13	05/10/13	05/10/13	Complete
DUKE-Prog and Dominion Update Relay Settings at Wake and Carson	05/12/13	05/12/13	05/12/13	Complete
Commission (Energize) – Wake – Carson Line	05/12/13	05/12/13	05/12/13	Complete
Complete CT Installation on Wake-Cumberland Line at Tie Bkr	08/02/13	08/04/13	08/04/13	Complete

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
500kV 4000A Line Trap (1) (Duke-Prog)	08/17/12 A	01/07/13 A	$19,600.00 01339216/00636845
Line Panel (1) (Duke-Prog)		02/13/13 A	Purchase Order 00653720
500KV CT's (6) (Duke-Prog)	08/21/12 A	07/16/13 A	$208,650.00 1339231/00636841, Agreed to delivery date change with supplier. 4 units received on 04/23/13. Two units failed one test and are to be retested on 04/23. Testing completed, shipped date 7/14/2013.
500kV 4000A Line Trap (1) (DOM)		03/15/13 A	Dominion Purchase - Received
Sub and Relay BOM Items	01/31/13 A	03/04/13 A	Multiple PO's and Warehouse Items

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
~~Late Delivery of Equipment~~	~~low~~	~~high~~	~~$29,000~~	~~04/29/2013~~	~~Not triggered~~
~~Damage to Major Equipment~~	~~low~~	~~high~~	~~$23,000~~	~~04/29/2013~~	~~Not triggered~~
~~Line and Breaker Clearance Restrictions~~	~~moderate~~	~~moderate~~	~~$18,000~~	~~08/04/2013~~	~~Not triggered~~
~~Major storm takes construction resources away~~	~~low~~	~~moderate~~	~~$8,000~~	~~08/04/2013~~	~~Not triggered~~
~~Scope changes during const.~~	~~moderate~~	~~moderate~~	~~$20,000~~	~~08/04/2013~~	~~Not triggered~~

* Not triggered, Triggered-Estimated Delay=? Weeks **Total: $0** (EMV of remaining risks)

Project Information

Project Name:	**Durham – East Durham 230kV Line: Uprate CT Ratios to 3000 Amps**
Reporting Period:	October 2013
Project Manager:	Scott Jones (Duke-West); Billy Harrell (Duke-East)
Current Phase:	Closeout

Safety Summary:

No safety incidents or events

Scope of Work:

Up-rate CT ratios at the East Durham 230kV Substation and the Durham 500kV Substation to 3000/5 by modifying relay settings. No Duke-Prog work is required at the Durham 500kV Substation due to recent modifications that upgraded the relay settings to 3000A. Duke Energy will need to upgrade their relay settings at their East Durham 230kV Substation to 3000A. Duke will need to change out 5 meters and potentially a RTU at their East Durham 230kV Station. CT's in the circuit breakers will not require replacement.

Monthly Accomplishments:

- Project is in closeout.

Challenges this Reporting Period:

- Project is in closeout.

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$555,000	$0	$1,000	$1,000	$0	$0

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Conceptual Design	07/01/12	07/19/12	07/19/12	Complete
Duke-West Design	07/23/12	12/31/12	12/31/12	Complete
Duke--East Commission (energize)	N/A	N/A	N/A	N/A
Duke Commission (energize)	01/02/13	01/03/13	01/03/13	Complete
Closeout	01/14/13	04/24/13	04/24/13	Complete

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
No major materials or services identified			

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
None					

* Not triggered, Triggered-Estimated Delay=? weeks

Project Information

Project Name:	**Antioch 500/230kV Substation: Replace Two Transformer Banks**
Reporting Period:	October 2013
Project Manager:	Scott Jones
Current Phase:	Construction

Safety Summary:

No safety incidents or events

Scope of Work:

Currently, there is 1500 MVA of total installed capacity at the site. To meet the proposed capacity increase, the project will replace the existing transformer banks with two 1500 MVA banks for a total capacity of 3000 MVA. Project funding will provide for the entire capacity increase including these major activities: 1) Specification, award of order and delivery of the transformers; 2) Engineering and installation of electrical/relaying upgrades to the transformer protection scheme and the necessary 525kV/230kV switchyard civil modifications; 3) Installation of the new transformers including rigging/hauling from the rail siding to the transformer pads as well as the removal of the existing transformers. 4) Replacement of two 230kV over-dutied line breakers at Mitchell River Tie.

Monthly Accomplishments:

- Relay work progressing on schedule. Panels installed and wired along with control cables pulled to breakers and transformer locations.
- Substation and bus line materials were delivered and inventoried at the station.
- Bank 2 outage continues with 525kV and 230kV bus line work being completed by end of September.
- All four transformers have been assembled and are being oil filled, processed and tested.
- Bank commissioning to begin October 30th.

Challenges this Reporting Period:

- Coordinating relay/electrical work with outage window and proper sequencing of relay upgrades.
- Receiving/inventory of all line and station materials to insure no shortage or inadequate fitting.

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$50,310,000	$31,564,000	$3,565.000	$3,529,000	$31,873,000	($309,000)

- Variance is due to more than expected substation access road work and relay construction manager cost higher than estimated

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Award Transformer PO		09/18/12	09/12/12	Complete
Preliminary Design	10/2/12	12/19/12	12/7/12	Complete
Substation Engineering	2/5/13	05/13/13	05/14/13	Complete
Relay Engineering	2/5/13	05/13/13	05/14/13	Complete
NCDOT Bridge Permit	9/12/12	6/13/13	12/13/12	Complete
Modify Bank 2 Foundations	3/18/13	4/30/13	5/24/13	Complete
First Transformers on Site at Antioch	8/15/13	8/15/13	9/9/13	Complete
Construction – Bank 2	8/9/13	1/2/14	1/2/14	On schedule
Bank 2 Outage	9/16/13	12/1/13	12/1/13	On schedule
Second Transformers to Rail Siding	2/1/14	02/01/14	02/01/14	On schedule
Construction – Bank 1	2/1/14	6/1/14	6/1/14	On schedule
Bank 1 Outage	3/3/14	5/9/14	5/9/14	On schedule
Construction-Mitchell River Breakers	5/1/14	8/01/13	6/21/13	Complete
Commission (energize)		06/01/14		On schedule

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
7- 560MVA 525kV/230kV Transformers	09/11/12 A	(4) - 08/15/13 A (3) – 02/15/14 P	Bid awarded to Siemens. $19.4M, including installation.
2- 230kV Breakers	Stock	05/01/13 - A	Installed.
Engineered pole for 230kV bus line	3/15/13 A	8/15/13 A	Installed.
Station civil and bus line work	5/8/13 - A	6/10/13 - A	Contract award June 10 to Pike.
Transformer Salvage	3/20/13 - A	5/1/13 - A	Bid award to TCI. Salvage begins after end of 1st outage.

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
~~Transformer Delays (1st Delivery of 4)~~	~~low~~	~~minimal~~	~~$250,000~~	~~8/31/2013~~	~~Not triggered~~
~~Haul Path Delays~~	~~low~~	~~minimal~~	~~$137,500~~	~~3/15/2014~~	~~Not triggered~~
Transformer Damage (1st Delivery of 4)	low	moderate	$1,050,000	11/1/2013	Not triggered
Transformer Delays (2nd Delivery of 3)	low	minimal	$250,000	2/1/2014	Not triggered
Transformer Damage (2nd Delivery of 3)	low	moderate	$1,050,000	5/1/2014	Not triggered
Outage Window Change (Either outage window)	low	minimum	$250,000	5/9/2014	Not triggered
Labor increases/Delays	low	moderate	~~$1,137,500~~ $523,500	6/1/2014	Triggered
~~Engineering Delays~~	~~moderate~~	~~minimal~~	~~$125,000~~	~~7/1/2013~~	~~Not triggered~~
~~Material Delays~~	~~low~~	~~moderate~~	~~$250,000~~	~~9/16/2013~~	~~Not triggered~~
Construction Conflicts	moderate	minimal	$250,000	5/9/2014	Not triggered
Supplier	moderate	moderate	$525,000	5/9/2014	Not triggered

* Not triggered, Triggered-Estimated Delay=? Weeks **Total: $3,898,500** (EMV of remaining risks)

Project Information

Project Name:	**Person – (DOM) Halifax 230kV Line: Re-conductor DOM Section (DOM Work)**
Reporting Period:	October 2013
Project Manager:	Wayne Belvin (DOM)/ Billy Harrell (Duke-Prog)
Current Phase:	Execution - Construction

Safety Summary:

No safety incidents or events

Scope of Work:

Upgrade the Person-Halifax 230kV line to 712 MVA (summer rating). DOM will re-conductor 20 miles of Dominion Virginia Power's section of the Person - DOM Halifax 230kV Line by replacing the existing 2-545.6 kcmil ACAR conductor. Work will be performed by DOM. Approximately 30 angle H-frame structures and approximately 20 tangent H-frame structures are anticipated to require replacement. Line clearances will be required to replace the angle structures. Billing will occur on a quarterly schedule and in advance of work performed. Once actuals are received the amounts will be evaluated and adjusted accordingly. Only relay setting changes are required at the Duke-Prog Person Substation.

Monthly Accomplishments:

- Dominion: LE Myers began construction on 07/02/13, as scheduled.
- All material delivery completed on August 5, 2013. Currently no material issues.
- Access roads and ROW access preparation are in progress.
- Structures 11 through 21 installed and conductor pulled within one of the more complex construction areas.

Challenges this Reporting Period:

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$16,200,000	$21,128,000	$10,052,000	$9,988,000	$21,128,000	$0

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Begin Conceptual Design	08/20/12	08/20/12	08/20/12	Complete
Complete Conceptual Design	11/30/12	11/30/12	11/30/12	Complete
Complete Line Engineering	12/03/12	05/01/13	05/01/13	Complete
Begin Line Construction	07/02/13	07/02/13	07/02/13	Complete
Complete Line Construction	06/01/14	06/01/14	06/01/14	On Schedule
Person-Halifax Line Clearance	08/04/13	05/04/14	05/04/14	On Schedule
Duke-Prog and Dominion Update Relay Settings at Person and Halifax	05/03/14	05/03/14	05/03/14	
Commission (Energize)	05/04/14	06/01/14	05/04/14	

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
Poles (DOM)		07/2013A	Dominion acquired
Conductor (DOM)		07/2013A	Dominion acquired

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
~~New 8 hr thermal rating could require modifications to the Duke-Progress portion of this line.~~	~~Moderate~~	~~Moderate~~	~~$148,000~~	~~12/31/12~~	~~Not Triggered~~
Dominion Virginia Power's Risk Contingency included in their estimate	Low	Moderate	$2,000,000	6/1/2014	Not Triggered

* Not triggered, Triggered-Estimated Delay=? Weeks **Total: $2,000,000** (EMV of remaining risks)

INDEPENDENT MONITORING REPORT ON PERMANENT MITIGATION MEASURES FOR DUKE ENERGY CORPORATION AND PROGRESS ENERGY INC.

Third Quarter 2013

Prepared by:

POTOMAC ECONOMICS

Potomac Economics, Ltd.
Independent Monitor

October 29, 2013

Table of Contents

I. OVERVIEW

This is the independent monitoring report for the Third Quarter of 2013 on Permanent Market Power Mitigation Measures relating to the merger between Duke Energy Corporation and Progress Energy (the "Companies").

Independent monitoring of the permanent mitigation measures was required by the Federal Energy Regulatory Commission (the "Commission") in its Order in Docket No. EC11-60-000, *et al.* to address certain merger-related market power concerns. In particular, using the Delivered Price Test, which is the empirical market power screen used by the Commission to calculate market shares in relevant markets potentially affected by a merger, the Commission determined that the merged entity would possess unacceptable levels of market power in certain relevant markets. To address the Commission's concerns, the Companies proposed, and the Commission accepted, permanent, structural mitigation measures consisting of the construction of new facilities to expand transmission capability into the relevant markets in question. The expanded import capability in the relevant markets would increase supply and reduce the Companies' market share below the thresholds established in the Delivered Price Test.

In approving the permanent mitigation measures, the Commission required that the Independent Monitor track the progress of the transmission projects comprising the permanent mitigation and file quarterly reports on whether the projects are proceeding on time and within the original scope.

Accordingly, in this report, we describe the nature of and the progress with permanent mitigation projects. Overall, we find that the projects are advancing in accordance with the scope and time line originally established by the Companies and approved by the Commission.

II. PERMANENT MITIGATION MEASURES

The Companies' proposed permanent mitigation measures to address the Commission's screen violation that occurred in both summer and winter periods in markets corresponding to the Duke Energy Carolina Balancing Authority Area ("BAA") and the Progress Energy Carolinas BAA. An increase in the transmission import capability into the BAAs results in a reduction in concentration at those locations. As a consequence, by increasing the import capability on the PJM-Duke interface and the PJM-Progress interface, additional supply is assumed to be deliverable to the BAAs, which reduces the concentration to within acceptable limits in the Commission's market screen.

Accordingly, in its March 2012 Compliance Filing ("Compliance Filing") the Companies proposed (and the Commission accepted) seven transmission projects designed to increase the import capability on the interfaces (by approximately 1500 MW on the PJM-Duke interface in both seasons and by approximately 2400 MW on the PJM-Progress interface in summer).

In addition to these seven projects, the Companies committed to accelerating the construction of the already-planned Greenville-Kinston DuPont 230kV Line in order to bring the in-service date forward from 2017 to 2015. Accelerating this project is required to ensure certain related mitigation projects are able to be placed in service as proposed. Therefore, there are eight projects that are currently under development to satisfy the permanent mitigation measures. These eight projects are summarized in Table 1. The table also shows the Commission-approved in-service date and the Projected Completion Date provided by the Companies in its most recent Quarterly Status Report (two are completed, as shown in highlight). The Companies' 3rd Quarter Status Report is attached hereto as Appendix 2.

Table 1: Transmission Expansion Projects under the Permanent Mitigation Measures

	Project (location)	Original Cost Estimate (millions)	Projected Costs (millions)	Commission-Approved In-Service Date	Projected Completion Date
1	Antioch 500/230 kV - Replace two existing transformers with larger capacity ones (Duke Energy)	$55.5	$31.9	7/1/2015	6/1/2014
2	Lilesville-Rockingham 230 kV – Construct new third line (Progress East)	$17.4	$14.3	7/1/2014	12/3/2013
3	Roxboro-E Danville 230 tie –add a series reactor to one Roxboro-E Danville 230 kV line and revise operating procedures (Progress East)	$7.3	$6.0	7/1/2014	3/31/2014
4	Kinston Dupont – Wommack, Reconductor 230 kV line (Progress East)	$20.0	$9.7	7/1/2014	5/30/2014
5	Person - Halifax 230 kV Line, reconductor 20 miles of Dominion Virginia Power portion of line (Progress East)	$17.8	$21.1	1/1/2015	5/4/2014
6	Wake – Carson 500 kV Line, replace existing wave traps with 4000 amp wave traps at both terminals and rework protective relaying.	$1.7	$0.8	6/1/2014	Completed
7	Greenville-Kinston DuPont 230 kV line	see notes		7/1/2015	5/30/2014
8	Durham - E. Durham 230 kV line, Uprate CT Ratio to 3000 amps (Progress East).	$0.6	$0.001	6/1/2014	Completed
		$120.2	$83.8		

Notes: "Original Cost" and "Projected Cost" include an 11 percent AFUDC adder. "Commission-Approved In Service Date" is the in-service date based on the Companies' Commisison-approved compliance filing, which contained estimated contruction times. Greenville-Kinston Dupont project started prior to compliance filing and is not technically a mitigation project; the Companies committed to accelerate this project to support other mitigation projects. *Source*: Companies' Revised Compliance Filing, March 26, 2012 and Company's Quarterly Status Report.

A. Project Scope

As discussed above, the monitoring of the permanent mitigation measures was aimed at tracking the scope and timing of the proposed upgrades. To track the project scope, we rely on information from the Companies Compliance Filing, which contains a description of the mitigation projects, and from the Companies Quarterly Status Report, which reports on the progress of the mitigation projects, the milestones, and timelines, among other information. .

We have prepared Appendix 1 which is a comparison between the description of each mitigation project as is was presented in the Companies Compliance Filing and it description in the

Companies' Quarterly Status Report. We find that the current projects retain the same scope as initially proposed.

B. In-Service Dates

The Companies' Quarterly Status reports provide summary tables of major Activities or Milestones for each project and reports the Planned and Projected Completion Dates for each activity or milestone.

If a particular milestone has been started, then the summary tables report the status. The status for most milestones that have started is either "Complete" or "On-Schedule". Other possible status designations are: (a) "Behind-Recoverable", which means the milestone is behind schedule but will either meet its planned completion date or will not impact the completion dates for the subsequent milestones; and (b) "Behind-Unrecoverable", which means the milestone is behind schedule and will not meet its planned completion date and may impact the completion dates for the subsequent milestones.

No projects were reported as behind schedule. Table 1, introduced above, shows the Commission-approved in-service dates and the currently projected in-service dates. The Durham-East Durham 230 kV line project has been completed (more than one-year ahead of the Commission-Approved schedule, as we reported previously). During the third quarter, the Wake-Carson 500 kV line trap replacement project was completed (a year ahead of the Commission-approved schedule).

All of the six remaining six projects are projected to be completed ahead of schedule by at least one month. And Four of the remaining six projects are expected to be completed at least three months ahead of schedule.

Compared to the last quarter's report, all project milestone dates remained the same. All milestones scheduled to be completed by the end of the third quarter were competed and all milestones schedule to start prior to the end of the third were started and are reported ot be on schedule. Based on our review of the project milestones and schedules, we do not presently see a concern that the projects will not be completed on time.

C. Project Risks

The Companies' Quarterly Status Reports provide summaries of "major project risks." These risks are related to either cost risks or commitment date risks. We are mainly concerned with risks associated with commitment date because these can delay the projects and adversely affect the efficacy of the mitigation measures.

Initially, all projects had at least one major project risk associated with a time delay, except the Durham-East Durham 230kV project. Each major project risk is listed as either "not triggered" or "triggered" depending on whether the risk has come to realization or not. For example, equipment delivery delays are risks common to a number of projects. If a delay is realized, then the risk factor is "triggered". If the schedule is holding, then "not triggered' is recorded. Once the major risk is passed (for example, if equipment is in place), the major risk factor is moot. A number of major risk factors have become moot because the window within which they could have been realized has passed. This is a favorable development as it eliminates sources of potential delay. Furthermore, there have been seven major risk factors triggered among the projects. None were triggered during the third quarter and none have introduced delays to the associated projects.

Major project risks are rated regarding likelihood (low, moderate, or high) and impact (minimal, moderate, or significant). Our concern would be heightened in circumstances of "high" likelihood and "significant" impact. As we reported in our last quarterly report, of the major project risks associated with a time delay, there are two projects where the major project risk likelihood is estimated as "moderate" or "high" and the estimate impact is rated as "significant." These projects are:

(1) Greenville-Kinston DuPont 230kV construction; and

(2) Kinston DuPont – Womack 230kV line reconductoring.

In both of these projects, the risk is related to a major storm diverting resources to storm recovery. Storm risks are a threat to all projects, but the risks are amplified in the case of the line construction projects because line construction crews may be reassigned to repair damaged transmission facilities.

Because projects are advancing, certain major risk items can be eliminated. Since the last quarter, three major risk items among the remaining projects have been eliminated. These all involve the Antioch 500/230kV substation transformer banks. The elimination of these risk items are reasonable given the progress of the construction.

Project risks continue to trend downward as the completion milestones are met.

III. SUMMARY

In summary, we find that the projects are advancing in accordance with the scope and time line originally established by the Companies and approved by the Commission and we do not anticipate delays in the completing the permanent mitigation measures.

Appendix 1 – Scope of Projects

	Project	Original Description in Compliance Filing	Current Scope (Quarterly Status Report, Q2 2013)
1	Antioch 500/230 kV - Replace two existing transformers with larger capacity ones (Duke Energy)	To meet the proposed capacity increase, the project will replace the existing transformers with two 1500 MVA transformers for a total capacity of 3000 MVA. The three major elements of the project are: 1. Specification, award of order and delivery of transformers; 2. Engineering and installation of electrical/relaying upgrades to the transformer protection scheme and the necessary 500 kV/230 kV switchyard modifications at Antioch Tie and at the nearby Mitchell River Tie (on the Antioch-Mitchell River 230 kV line) which includes the replacement of two breakers at Mitchell River Tie; and 3. Removal of the existing transformers and installation of the new transformers.	Currently, there is 1500 MVA of total installed capacity at the site. To meet the proposed capacity increase, the project will replace the existing transformer banks with two 1500 MVA banks for a total capacity of 3000 MVA. Project funding will provide for the entire capacity increase including these major activities: 1) Specification, award of order and delivery of the transformers; 2) Engineering and installation of electrical/relaying upgrades to the transformer protection scheme and the necessary 525kV/230kV switchyard civil modifications; 3) Installation of the new transformers including rigging/hauling from the rail siding to the transformer pads as well as the removal of the existing transformers. 4) Replacement of two 230kV over-dutied line breakers at Mitchell River Tie.
2	Lilesville-Rockingham 230 kV – Construct new third line (Progress East)	The Lilesville-Rockingham 230 kV line construction is expected to cost approximately $15.7 million with a two year lead time for engineering and construction. The length of the proposed line is approximately 13 miles. PEC already owns the necessary right-of way and has the necessary CPCN from the state of North Carolina. There are no significant permitting or other issues for this project. Routine permits from state and county I agencies will be required. None of these are expected to be an impediment to meeting the cost and schedule targets above.	Construct a 14 mile long new transmission line on existing right-of-way between the Rockingham 230kV Substation and the Lilesville 230kV Switching Station. Construction will be light duty direct-buried steel H-frame using 2515kcmil conductor. One 230kV tie breaker will be installed in the Lilesville Switching Station. The existing Robinson Plant 230kV Line will be relocated into a new bay position at the Rockingham Substation to open a position for the Lilesville Line. Three new 230kV breakers are required at Rockingham.
3	Roxboro-E Danville 230 tie –add a series reactor to one Roxboro-E Danville 230 kV line and revise operating procedures (Progress East)	Addition of a series reactor on the Roxboro-East Danville 230 kV line. The Roxboro reactor addition is estimated to cost approximately $6.6 million, with a total time to design, acquire materials and construct of two years. PEC currently owns specific property that can be used for the reactor site, and it is expected that the reactor will be placed along the existing line right-of-way. There are no significant permitting issues. Routine permits from state and county agencies will be required.	Construct a 230kV series reactor station adjacent to the existing Concord 230kV Substation. Loop the Roxboro-AEP East Danville 230kV South Line into the new reactor station and connect the reactor station 230kV bus to the Concord 230kV bus, and replace the existing 3-point relay scheme on the South Line with standard relay protection. Three new 230kV breakers and four single phase 230kV reactors (1-spare) are required in the Reactor Station. AEP will be responsible for their necessary relay setting changes at their AEP East Danville 230kV Substation due to the addition of the Concord Reactor Station. AEP will upgrade the summer emergency rating of their Danville line to 384 MVA by 3/14/2013.

Continued on next page

Continued from Previous page

	Project	Original Description in Compliance Filing	Description in Monthly Report (Quarterly Status Report, Q2 2013)
4	Kinston Dupont – Wommack; Reconductor 230 kV line (Progress East)	The reconductoring project would replace existing conductors and transmission structures to support a bundled conductor design. The reconductoring of the Kinston Dupont-Wommack 230 kV line is expected to cost approximately $18 million. The existing Kinston Dupont-Wommack line is approximately 20 miles long, and the reconductoring, along with associated required changes to the ancillary equipment (CTs) will result in an increase in rating from 597 to 797 MVA.	Replace the existing single 1272kcmil conductor with bundled 795kcmil ACSS conductor. Replace existing wood structures and some existing steel structures with light duty steel structures to support the bundled conductor. Remainder of the existing light duty steel H-frame structures remains in place.
5	Person - (DVP) Halifax 230 kV Line, reconductor 20 miles of DVP portion of line (Progress East)	The Dominion portion of the Person-Halifax 230 kV tie line is approximately 20.4 miles in length. The reconductoring project would replace existing conductors with conductors with greater capacity and would replace some of the transmission structures to achieve a summer rating of 712 MVA. Currently, there are no plans to pursue this project absent the merger. The reconductoring of the Person-Halifax 230 kV tie with Dominion will be accomplished within two and one half years, with agreement from Dominion. The expected cost is about $16.2 million. Reconductoring is not expected to present any significant permitting issues	Upgrade the Person-Halifax 230kV line to 712 MVA (summer rating). Dominin Virginia Power (DVP) will re-conductor 20 miles of DVP's section of the Person - DVP Halifax 230kV Line by replacing the existing 2-545.6 kcmil ACAR conductor. Work will be performed by DVP. Approximately 30 angle H-frame structures and approximately 20 tangent H-frame structures are anticipated to require replacement. Line clearances will be required to replace the angle structures. Billing will occur on a quarterly schedule and in advance of work performed. Once actuals are received the amounts will be evaluated and adjusted accordingly. Only relay seting changes are required at the Duke-PEC Person Substation.
6	Wake – Carson 500 kV Line, replace existing wave traps with 4000 amp wave traps at both terminals and rework protective relaying.	The replacement of the wave traps on the Wake-Carson 500 kV tie line with Dominion. Expected to cost approximately $1.5 million, including any necessary engineering for changes to protective relaying equipment, and can be completed in approximately 15 months.	At Wake 500kV Substation, replace the existing 3000 amp line trap with a 4000 amp trap and replace 6 3000/5 CT's with 4000/5 CT's. Replace relay line panel at Wake Sub and modify existing relay panel. Coordinate with Dominion Virginia Power to up-rate the line trap in their DVP's Carson 500kV Substation. PEC will reimburse DOM for all cost incurred. Billing will occur on a quarterly schedule and in advance of work performed. Once actuals are received the amounts will be evaluated and adjusted accordingly. Work scope for Dominion requires replacement of their 3000A line trap with a 4000A and relay setting revisions.
7	Durham - E. Durham 230 kV line, Uprate CT Ratio to 3000 amps (Progress East).	The Durham-East Durham Current Transfer uprate is expected to cost less than $500,000, and can be scheduled within a two year time window.	Up-rate Current Transfer ratios at the East Durham 230kV Substation and the Durham 500kV Substation to 3000/5 by modifying relay settings. Duke Energy will need to upgrade their relay settings at their East Durham 230kV Substation to 3000A. Duke will need to change out 5 meters and potentially a RTU at their East Durham 230kV Station. Current Transfers in the circuit breakers will not require replacement.

APPENDIX 2: DUKE-PROGRESS ENERGY MERGER PROJECT STATUS REPORT

DUKE ENERGY

Duke-Progress Energy Merger Projects

FERC 3rd Qtr, 2013 Status Report

(Status Through September 30, 2013)

Prepared by: Steve Wilson, Sr. Project Manager

10/23/2013

Table of Contents

Portfolio Summary

Total Program Health:

Schedule	Financial
⟺	⟺
(favorable, stable)	(favorable, stable)

Portfolio Schedule Status

Project Name	FERC Agreement In-Service Date	Scheduled In-Service Date	Scheduled In-Service Date Status*
Roxboro-E. Danville 230kV Tie: Add Series Reactor (Concord Reactor Sta.)	07/01/14	06/01/14	On track
Lilesville-Rockingham 230KV Line #3 Construct	07/01/14	06/01/14	On track
Greenville-Kinston DuPont 230KV Line Construct	12/31/14	06/01/14	On track
Kinston DuPont-Wommack 230KV Line Re-conductor	07/01/14	06/01/14	On track
Wake-Carson 500kV Line Replace Line Traps and Revise Relaying	06/01/14	06/01/14	Complete
Durham-East Durham 230KV LIne-Uprate CT Ratio to 3000 amps	06/01/14	06/01/14	Complete
Antioch 500/230kV Substation: Replace Two Transformer Banks	07/01/15	06/04/14	On track
Person-(DVP) Halifax 230kV Line Re-conductor DVP Section (DVP work)	01/01/15	06/01/14	On track

* on track / at risk / unrecoverable / complete

Progress Energy - Duke Merger Transmission
FERC Quarterly Filing Cost Status Summary Report - All Projects

Financial View with AFUDC and Indirects in $thousands - September 2013 Closing

	Project To-Date Actual Cost	Actual Cost 2012	Current Estimte 2013	Current Estimate 2014	Current Estimate 2015	Total Current Estimate	FERC Merger Agreement Estimate (1)	Variance FAV (UNFAV)
Total (all work) excluding contingency	$60,942	$8,975	$79,596	$27,203	$243	$116,018	$144,543	$28,525
Assigned contingency (2)						$12,087	$0	
Un-assigned contingency (3)						$1,561		
Total estimate with contingency (4)						$129,666	$144,543	$14,877
Total Capital (contingency included in total only)	$50,756	$8,881	$66,838	$18,793	$243	$108,404		
Total O&M	$10,186	$94	$12,758	$8,410	$0	$21,262		

(1) March filing plus $7.8M AFUDC
(2) Assigned contingency is funding to cover the financial impact of identified remaining untriggred or unexpired risks should they occur.
(3) Unassigned contingency is savings held in the program to cover unexpected emergent risks.
(4) Total estimate with contingency variance is savings released from the portfolio of projects to fund other company business.

Duke-Progress Energy Merger Projects

Project Information

Project Name:	**Roxboro - E. Danville 230kV Tie: Add Series Reactor (Concord Reactor Station)**
Reporting Period:	October 2013
Project Manager:	Billy Harrell (Duke)/ John Schechter (AEP-Relay)/ Mohammed Ahmed (AEP –Line)
Current Phase:	Execution – Close Out

Safety Summary:

No safety incidents or events

Scope of Work:

Construct a 230kV series reactor station adjacent to the existing Concord 230kV Substation. Loop the Roxboro-AEP East Danville 230kV South Line into the new reactor station and connect the reactor station 230kV bus to the Concord 230kV bus, and replace the existing 3-point relay scheme on the South Line with standard relay protection. Three new 230kV breakers and four single phase 230kV reactors (1-spare) are required in the Reactor Station. AEP is responsible for the necessary relay setting changes at their AEP East Danville 230kV Substation due to the addition of the Concord Reactor Station. AEP will upgrade their internal Danville-East Danville 138kV line to the 384 MVA Summer Emergency Rating by 03/31/2014.

Monthly Accomplishments:

- All Duke Energy – Progress work associated with this project is complete.
- Finalizing remaining invoices and engineering is in the process of completing construction as-builts.
- Site stabilization (erosion control) is in progress.
- AEP proceeding with upgrade of their Danville – East Danville 138kV line. AEP is on schedule to complete this line upgrade by March 31, 2014, which is in accordance with the Facilities Upgrade Agreement.

Challenges this Reporting Period:

- None

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$7,326,000	$6,013,000	$5,995,000	$3,883,000	$6,019,000	($6,000)

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Conceptual Design	03/19/12	05/25/12	05/25/12	Complete
Complete Site Design	05/29/12	08/15/12	08/15/12	Complete
Order Long Lead Materials/Equip.	05/29/12	08/31/12	08/31/12	Complete
Approve Environmental Permit	05/29/12	09/13/12	09/13/12	Complete
Complete Site Clearing and Grading	09/24/12	12/10/12	12/10/12	Complete
Complete Line Engineering	07/16/12	12/21/12	12/21/12	Complete
Complete Substation Engineering	05/14/12	02/01/13	02/01/13	Complete
Complete Relay Engineering	05/29/12	02/01/13	02/01/13	Complete
Complete Line Construction	03/18/13	06/06/13	05/28/13	Complete
Complete Substation Construction	12/18/12	06/06/13	05/24/13	Complete
Complete Relay Construction	12/19/12	06/06/13	06/06/13	Complete
Complete Substation Fine Grading	04/29/13	08/02/13	05/24/13	Complete
AEP Complete Relay Setting Changes	06/05/13	06/05/13	06/05/13	Complete
Commission (energize)	05/16/13	06/06/13	06/06/13	Complete
Upgrade AEP Danville – East Danville 230kV Line	03/31/14	03/31/14	03/31/14	On Schedule

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comment
LD Steel Poles	11/7/2012A	3/4/2013A	Delivered to site. T&B 368108R 93,502,494
Site Clearing & Grading	8/20/12 A	9/13/12 A	Completed. Phillips & Jordan
230kV Series Reactors (4)	07/18/12A	01/21/13 A	Delivered to site. (01321039/00632330)
230kV 3000A Cir. Bkrs. (3)	In Stock	In Stock A	GMX Stock, delivered to site
230kV 3000A Line Trap (1)	06/19/12A	01/07/13 A	Delivered to site. (01337476/00636135)
230kV CCVT's (7)	07/06/12A	01/20/13 A	Delivered to Site. (01321210/00630954)
230kV 50kVA Power Pot	In Stock	In Stock A	GMX Stock, delivered to site
Install Sub Foundations	10/12/12A	12/7/12A	Completed $619,212 Elite Construct, 221227-197

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
Grading bid higher than budgeted	Moderate	Moderate	~~$180,000~~	09/11/2012	Triggered
~~Delay in site grading permit~~	~~Low~~	~~Minimal~~	~~$82,000~~	~~09/13/2012~~	~~Not Triggered~~
~~Site grading schedule impact due to weather~~	~~Low~~	~~Minimal~~	~~$82,000~~	~~12/10/2012~~	~~Not Triggered~~
~~Subsurface and Overhead construction contract bids higher than estimated~~	~~Moderate~~	~~Moderate~~	~~$217,267~~	~~12/10/2012~~	~~Triggered~~
~~Site grading schedule impact due to rock~~	~~High~~	~~Minimal~~	~~$75,000~~	~~12/10/2012~~	~~Not Triggered~~
~~Could incur greater qty of variable units cost than estimated in site grading bid.~~	~~Moderate~~	~~Minimal~~	~~$85,000~~	~~01/19/2013~~	~~Not Triggered~~
~~Equipment delivery delays~~	~~Moderate~~	~~Moderate~~	~~$180,000~~	~~03/16/2013~~	~~Not Triggered~~
~~Scope changes during const.~~	~~Moderate~~	~~Moderate~~	~~$150,000~~	~~06/06/2013~~	~~Not Triggered~~
Delay in completing AEP Work	Low	Minimal	$45,000	03/31/2014	Not Triggered

* Not triggered, Triggered-Estimated Delay=? weeks **Total: $45,000** (EMV of remaining risks)

Released $150,000 for elimination of "Scope changes during const." risk. (June 2013)

Project Information

Project Name:	**Lilesville – Rockingham 230kV Line #3: Construct**
Reporting Period:	October 2013
Project Manager:	Phil Williams
Current Phase:	Execution

Safety Summary:

No safety incidents or events

Scope of Work:

Construct a 14 mile long new transmission line on existing right-of-way between the Rockingham 230kV Substation and the Lilesville 230kV Switching Station. Construction will be light duty direct-buried steel H-frame using 2515kcmil conductor. One 230kV tie breaker will be installed in the Lilesville Switching Station. The existing Robinson Plant 230kV Line will be relocated into a new bay position at the Rockingham Substation to open a position for the Lilesville Line. Three new 230kV breakers are required at Rockingham.

Monthly Accomplishments:

- Line construction work - T&D Solutions completed relocation of the Robinson 230kV line to the new bay last month. Remote end construction activities at Rockingham 230kV sub and Lilesville continue and are progressing well.

Challenges this Reporting Period:

- Line construction progress continues to be followed closely. One structure remains to be set; construction access to the structure #51 is underway in order to span a stream, the permit to allow for the access was recently received.

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$17,427,000	$14,315,000	$10,900,000	$10,174,000	$14,303,000	$11,000

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Substation Design Lilesville	12/01/12	04/23/13	04/23/13	Complete
Complete Clearing/Erosion Control Plan	06/14/12	08/31/12	08/31/12	Complete
Submit Environmental Permits	08/01/12	09/04/12	09/04/12	Complete
Complete Substation Engineering R'ham	12/07/12	04/02/13	04/02/13	Complete
Complete Relay Engineering	12/07/12	04/26/13	04/26/13	Complete
Complete Line Engineering	02/22/12	10/29/12	10/29/12	Complete
Complete ROW Clearing	11/28/12	04/30/13	04/30/13	Complete
Complete Line Construction	03/01/13	12/02/13	12/02/13	On schedule
Complete Substation Construction	06/17/13	12/02/13	12/02/13	On schedule
Complete Relay Construction	08/08/13	12/02/13	12/02/13	On schedule
Complete Substation Fine Grading	11/15/13	12/02/13	12/02/13	
Commission (energize)	12/02/13	12/02/13	12/02/13	

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
Engineered Poles	09/15/2012 A	03/05/2013 A	368108 r.486, delivery date moved to March to support schedule
LD Steel Poles	11/12/2012 A	3/5/2013A	$1.037,060, Thomas and Betts, 368108 R504, delivery date moved to support schedule
ROW Clearing	10/9/2012 A	10/29/12 A	$1299,353 – Burford Tree, 609800 WA 8
Construct Trans. Line	12/10/12 A	1/21/13 A	$2.5M – T&D Solutions 549100-12
230KV,Breakers (1)	In Stock	In Stock	GMX Stock Tagged for Project
230KV CCVT (3)	9/28/12A	5/3/13A	$17,874.00 (01353645/00643084)

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
Late material delivery	low	moderate	$300,000	10/31/2013	Not triggered
Permits not obtained by construction start	low	moderate	~~$300,000~~	2/5/2013	Not triggered
Major storm take construction resources away	low	moderate	$300,000	12/1/2013	Not triggered
Construction contract awards higher than estimated	moderate	significant	~~$500,000~~	1/3/2013	Triggered
Scope changes during const.	moderate	moderate	$200,000	12/1/2013	Not triggered

* Not triggered, Triggered-Estimated Delay=? Weeks **Total: $800,000** (EMV of remaining risks)

Project Information

Project Name:	**Greenville – Kinston DuPont 230kV Line: Construct**
Reporting Period:	October 2013
Project Manager:	Bob Pitts
Current Phase:	Execution – Construction Ongoing

Safety Summary:

No safety incidents or events.

Scope of Work:

Clear and construct a 26-mile-long new transmission line on existing right-of-way between the Greenville and the Kinston DuPont 230kV Substations. Relocate existing Wilson, Everetts and Aurora Lines. Two new 230kV breakers will be installed, one removed, and bus reconfigured at Greenville Sub. Three new 230kV breakers and a new line terminal will be installed in the Kinston DuPont Sub.

Monthly Accomplishments:

- Clearing contractor Burford's Tree has cleared the entire 200-acre right of way and is 100% complete with all activities.
- Line construction contractor Coastal Power has completed 99% of the work in segment one, 16% in segment two and 40% in segment three. The Greenville-Wilson relocation at the Greenville Sub is 15% complete and will be finished during a November 4th through 15th clearance.
- Subsurface work at Greenville is 98% complete, and the last three foundations will be installed in November. It is complete at Kinston DuPont.
- Overhead substation and relay work at Kinston DuPont is 80% complete and is on-going at Greenville, under the second of three clearances.
- Fall 2013 clearance on the Greenville Sub began October 8th and ends October 28th.
- On Friday October 11, 2013 at 20:11, relay construction contractor tripped the feed to Greenville Utility Commission transformers, dropping 133 MW of load for six minutes. A RCA for this HP event will be conducted on October 30, 2013.

Challenges this Reporting Period:

- None.

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$31,080,000	$32,148,000	$23,294,000	$19,146,000	$32,153,000	($5,000)

Current Estimate to Current Approved Target variance is a 0.02% increase and is well within the reporting accuracy.

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Conceptual Design	04/23/12	07/03/12	07/03/12	complete
Complete Line Clearing/Erosion Plan	07/30/12	09/28/12	09/28/12	complete
Submit Construction Permits	09/28/12	11/19/12	11/21/12	complete
Complete Substation Engineering (all)	07/09/12	12/14/12	12/14/12	complete
Complete Relay Engineering (all)	07/09/12	03/28/13	03/28/13	complete
Complete Line Engineering Ph 1 &2	07/11/12	01/29/13	01/29/13	complete
Complete ROW Clearing	11/05/12	09/30/13	09/30/13	complete
Complete Line Construction	12/10/12	05/16/14	05/16/14	on schedule
Complete Substation Construction	01/07/13	04/30/14	04/30/14	on schedule
Complete Relay Construction	03/18/13	04/30/14	04/30/14	on schedule
Complete Substation Fine Grading	04/03/14	05/30/14	05/30/14	
Commission (energize)	05/30/14	05/30/14	05/30/14	

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid	Delivery Date / Award Contract (P=projected)	Comments
LD Steel Poles	Phase 1: 09/10/2012 A	Phase 1: 12/02/2012 A	T&B, $768K, 368108R482
LD Steel Poles	Phase 2: 09/14/2012 A	Phase 2: 04/02/2013 A	T&B, $961K, Req 1393921
ACSS Conductor	Phase 1: 09/04/2012 A	Phase 1: 04/02/2013 A	Southwire, $709K, 639886 (36 reels have been delivered, 2 remaining)
ACSS Conductor	Phase 2: 09/10/2012 A	Phase 2: 08/19/2013 A	Southwire, $845K, 640107
ROW Clearing	10/9/12 A	10/29/12 A	$2,649,501 Burford,609800 WA 7
Substation Construction	10/2/12A	10/26/12A	$679,560 – Newberry, 195884-103
Construct Trans. Line	11/15/12 A	12/03/12 A	$5.7M Coastal Power 235938-36
G'vl Sub anchor bolt cages	08/03/12 A	10/01/12A	$145K
230KV Circuit Breaker	07/03/12 A	03/0713 A	$271,210.00(01325035/00630664)
3000A Line Trap (2)	07/09/12 A	04/01/13 A	$35,828.00 (01324970/00630330)
230KV CCVT (10)	07/03/12 A	04/03/13 A	$59,580.00 (01324939/00630738)
230KV PT (3)	04/17/12 A	09/26/12A	$27,990.00 (01292837/00618164)
230KV CT (3)	07/1/12 A	04/03/13 A	$23,170.00 (01324910/00632507)
230KV Cir. Breakers (3)	07/18/12 A	05/03/13 A	$325,815.00 01326035/00632408
230KV CCVT (6)	07/16/12 A	05/03/13 A	$35,748.00 01326018/00631961
115KV Power Pot (1)	NA	In Stock	GMX Stock

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value(EMV $'s)	Expiration Date	Status *
Late material delivery	moderate	moderate	$950,000	11/27/2013	Not triggered
~~Permits not obtained by construction start~~	~~moderate~~	~~moderate~~	~~$950,000~~	~~2/28/2013~~	~~Not triggered~~
Major storm takes const. resources away	moderate	significant	$1,850,000	11/01/2013	Not triggered
Const. contract awards higher than estimated	moderate	significant	~~$1,000,000~~ $703,000	2/1/2013	Triggered
Scope changes during const.	moderate	moderate	$500,000	6/1/2014	Triggered

* Not triggered, Triggered-Estimated Delay=? weeks **Total: $4,003,000** (EMV of remaining risks)

Duke-Progress Energy Merger Projects

Project Information

Project Name:	**Kinston DuPont – Wommack 230kV Line: Re-conductor**
Reporting Period:	October 2013
Project Manager:	Bob Pitts
Current Phase:	Execution – Construction Ongoing

Safety Summary:

No safety incidents or events.

Scope of Work:

Replace the existing single 1272kcmil conductor with bundled 795kcmil ACSS conductor. Replace existing wood structures and some existing steel structures with light duty steel structures to support the bundled conductor. Remainder of the existing light duty steel H-frame structures remains in place.

Monthly Accomplishments:

- Line construction contractor Coastal Power & Electric completed segment one of three on May 30, 2013. They are 40% complete with the second segment.
- The line clearance for this segment started September 23rd and ends December 13th.

Challenges this Reporting Period:

- None.

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$19,980,000	$9,730,000	$6,306,000	$4,439,000	$9,707,000	$23,000

Current Estimate to Current Approved Target variance is a 0.24% decrease and is within the reporting accuracy.

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Conceptual Design	04/23/12	07/03/12	07/03/12	complete
Complete Erosion Control Plan	07/30/12	08/31/12	08/31/12	complete
Obtain Construction Permits	09/04/12	09/28/12	09/28/12	complete
Complete Substation Engineering	07/19/12	01/18/13	01/18/13	complete
Complete Relay Engineering	07/09/12	03/28/13	03/28/13	complete
Complete Line Engineering	07/09/12	12/20/12	12/20/12	complete
Begin Line Construction	11/05/12	11/05/12	11/05/12	complete
Complete Line Construction	05/30/14	05/30/14	05/30/14	on schedule
Complete Substation Construction	04/30/13	05/30/14	05/30/14	on schedule
Complete Relay Construction	05/20/13	05/30/14	05/30/14	on schedule
Commission (energize)	05/30/14	05/30/14	05/30/14	on schedule

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
LD Steel Poles	Phase 1 – 3: 08/24/2012 A	Phase 1 -3: 09/28/2012 A	T&B, $456K, 368108R453
ACSS Conductor	Phase 1: 09/07/2012 A	Phase 1: 04/02/2013 A	Southwire, $456K, 639671. (24 reels have been delivered, 1 remaining)
ACSS Conductor	Phase 2: 09/10/2012 A	Phase 2: 02/25/2014 P	Southwire, $328K Moved from 2/27/2013 to 2/25/2014 due to discovery of eagle's nest, 640104
ACSS Conductor	Phase 3: 09/10/2012A	Phase 3: 08/06/2013 A	Southwire, $398K, 640108
Construct Trans. Line	10/12/12 A	11/05/12A	Coastal Power - $3,099,550 235938 WA 33 –savings of $545K
Substation Construction	1/7/12A	1/26/12A	Utili-Serve, $232K, 473714 WA12 – savings of $43K

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
Late material delivery	moderate	moderate	$380,000	5/9/2014	Not triggered
~~Permits not obtained by construction start~~	~~moderate~~	~~moderate~~	~~$380,000~~	~~2/22/2013~~	~~Not triggered~~
Major storm takes construction resources away	moderate	significant	$380,000	11/1/2013	Not triggered
Line clearance durations inadequate for scope	low	significant	$380,000	5/30/2014	Not triggered
~~Construction contract awards higher than estimated~~	~~moderate~~	~~significant~~	~~$400,000~~	~~2/22/2013~~	~~Triggered & Offset~~
Scope changes during const.	moderate	moderate	$200,000	6/1/2014	Not Triggered

* Not triggered, Triggered-Estimated Delay=? Weeks **Total: $1,340,000** (EMV of remaining risks)

Duke-Progress Energy Merger Projects

Project Information

Project Name:	**Wake – Carson 500kV Line: Replace Line Traps and Revise Relaying**
Reporting Period:	October 2013
Project Manager:	Billy Harrell (DUKE)/ Steve Binford (DOM)
Current Phase:	Close Out

Safety Summary:

No safety incidents or events

Scope of Work:

At Wake 500kV Substation, replace the existing 3000 amp line trap with a 4000 amp trap and replace 6 3000/5 CT's with 4000/5 CT's. Replace relay line panel at Wake Sub and modify existing relay panel. Coordinate with Dominion Virginia Power to up-rate the line trap in their DOM's Carson 500kV Substation. Duke Energy-Progress will reimburse DOM for all cost incurred. Billing will occur on a quarterly schedule and in advance of work performed. Once actuals are received the amounts will be evaluated and adjusted accordingly. Work scope for Dominion requires replacement of their 3000A line trap with a 4000A and relay setting revisions.

Monthly Accomplishments:

- Heavy Moving scheduled to remove CT's from substation and haul to warehouse. CT's will be added to warehouse stock and a credit will be made to the project.

Challenges this Reporting Period:

None

Financial Summary (Financial View with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$1,665,000	$869,000	$830,000	$808,000	$835,000	$35,000

Dominion Virginia Power charges came in less than initially anticipated.

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Conceptual Design	08/03/12	09/05/12	09/05/12	Complete
Complete Substation Engineering	09/10/12	01/11/13	01/11/13	Complete
Complete Relay Engineering	10/18/12	01/16/13	02/01/13	Complete
Complete Relay Settings	10/18/12	01/16/13	03/01/13	Complete
Begin Construction	04/15/13	04/15/13	04/15/13	Complete
Complete Substation Construction	05/10/13	05/10/13	05/10/13	Complete
Wake – Carson 500kV Line Clearance	04/29/13	05/12/13	05/12/13	Complete
Complete Relay Construction	04/15/13	05/12/13	05/12/13	Complete
DOM Completes Construction	03/22/13	05/10/13	05/10/13	Complete
DUKE-Prog and Dominion Update Relay Settings at Wake and Carson	05/12/13	05/12/13	05/12/13	Complete
Commission (Energize) – Wake – Carson Line	05/12/13	05/12/13	05/12/13	Complete
Complete CT Installation on Wake-Cumberland Line at Tie Bkr	08/02/13	08/04/13	08/04/13	Complete

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
500kV 4000A Line Trap (1) (Duke-Prog)	08/17/12 A	01/07/13 A	$19,600.00 01339216/00636845
Line Panel (1) (Duke-Prog)		02/13/13 A	Purchase Order 00653720
500KV CT's (6) (Duke-Prog)	08/21/12 A	07/16/13 A	$208,650.00 1339231/00636841, Agreed to delivery date change with supplier. 4 units received on 04/23/13. Two units failed one test and are to be retested on 04/23. Testing completed, shipped date 7/14/2013.
500kV 4000A Line Trap (1) (DOM)		03/15/13 A	Dominion Purchase - Received
Sub and Relay BOM Items	01/31/13 A	03/04/13 A	Multiple PO's and Warehouse Items

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
~~Late Delivery of Equipment~~	~~low~~	~~high~~	~~$29,000~~	~~04/29/2013~~	~~Not triggered~~
~~Damage to Major Equipment~~	~~low~~	~~high~~	~~$23,000~~	~~04/29/2013~~	~~Not triggered~~
~~Line and Breaker Clearance Restrictions~~	~~moderate~~	~~moderate~~	~~$18,000~~	~~08/04/2013~~	~~Not triggered~~
~~Major storm takes construction resources away~~	~~low~~	~~moderate~~	~~$8,000~~	~~08/04/2013~~	~~Not triggered~~
~~Scope changes during const.~~	~~moderate~~	~~moderate~~	~~$20,000~~	~~08/04/2013~~	~~Not triggered~~

* Not triggered, Triggered-Estimated Delay=? Weeks **Total: $0** (EMV of remaining risks)

Duke-Progress Energy Merger Projects

Project Information

Project Name:	**Durham – East Durham 230kV Line: Uprate CT Ratios to 3000 Amps**
Reporting Period:	October 2013
Project Manager:	Scott Jones (Duke-West); Billy Harrell (Duke-East)
Current Phase:	Closeout

Safety Summary:

No safety incidents or events

Scope of Work:

Up-rate CT ratios at the East Durham 230kV Substation and the Durham 500kV Substation to 3000/5 by modifying relay settings. No Duke-Prog work is required at the Durham 500kV Substation due to recent modifications that upgraded the relay settings to 3000A. Duke Energy will need to upgrade their relay settings at their East Durham 230kV Substation to 3000A. Duke will need to change out 5 meters and potentially a RTU at their East Durham 230kV Station. CT's in the circuit breakers will not require replacement.

Monthly Accomplishments:

- Project is in closeout.

Challenges this Reporting Period:

- Project is in closeout.

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$555,000	$0	$1,000	$1,000	$0	$0

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Complete Conceptual Design	07/01/12	07/19/12	07/19/12	Complete
Duke-West Design	07/23/12	12/31/12	12/31/12	Complete
Duke–East Commission (energize)	N/A	N/A	N/A	N/A
Duke Commission (energize)	01/02/13	01/03/13	01/03/13	Complete
Closeout	01/14/13	04/24/13	04/24/13	Complete

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
No major materials or services identified			

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
None					

* Not triggered, Triggered-Estimated Delay=? weeks

Duke-Progress Energy Merger Projects

Project Information

Project Name:	**Antioch 500/230kV Substation: Replace Two Transformer Banks**
Reporting Period:	October 2013
Project Manager:	Scott Jones
Current Phase:	Construction

Safety Summary:

No safety incidents or events

Scope of Work:

Currently, there is 1500 MVA of total installed capacity at the site. To meet the proposed capacity increase, the project will replace the existing transformer banks with two 1500 MVA banks for a total capacity of 3000 MVA. Project funding will provide for the entire capacity increase including these major activities: 1) Specification, award of order and delivery of the transformers; 2) Engineering and installation of electrical/relaying upgrades to the transformer protection scheme and the necessary 525kV/230kV switchyard civil modifications; 3) Installation of the new transformers including rigging/hauling from the rail siding to the transformer pads as well as the removal of the existing transformers. 4) Replacement of two 230kV over-dutied line breakers at Mitchell River Tie.

Monthly Accomplishments:

- Relay work progressing on schedule. Panels installed and wired along with control cables pulled to breakers and transformer locations.
- Substation and bus line materials were delivered and inventoried at the station.
- Bank 2 outage continues with 525kV and 230kV bus line work being completed by end of September.
- All four transformers have been assembled and are being oil filled, processed and tested.
- Bank commissioning to begin October 30th.

Challenges this Reporting Period:

- Coordinating relay/electrical work with outage window and proper sequencing of relay upgrades.
- Receiving/inventory of all line and station materials to insure no shortage or inadequate fitting.

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$50,310,000	$31,564,000	$3,565.000	$3,529,000	$31,873,000	($309,000)

- Variance is due to more than expected substation access road work and relay construction manager cost higher than estimated

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Award Transformer PO		09/18/12	09/12/12	Complete
Preliminary Design	10/2/12	12/19/12	12/7/12	Complete
Substation Engineering	2/5/13	05/13/13	05/14/13	Complete
Relay Engineering	2/5/13	05/13/13	05/14/13	Complete
NCDOT Bridge Permit	9/12/12	6/13/13	12/13/12	Complete
Modify Bank 2 Foundations	3/18/13	4/30/13	5/24/13	Complete
First Transformers on Site at Antioch	8/15/13	8/15/13	9/9/13	Complete
Construction – Bank 2	8/9/13	1/2/14	1/2/14	On schedule
Bank 2 Outage	9/16/13	12/1/13	12/1/13	On schedule
Second Transformers to Rail Siding	2/1/14	02/01/14	02/01/14	On schedule
Construction – Bank 1	2/1/14	6/1/14	6/1/14	On schedule
Bank 1 Outage	3/3/14	5/9/14	5/9/14	On schedule
Construction-Mitchell River Breakers	5/1/14	8/01/13	6/21/13	Complete
Commission (energize)		06/01/14		On schedule

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
7- 560MVA 525kV/230kV Transformers	09/11/12 A	(4) - 08/15/13 A (3) – 02/15/14 P	Bid awarded to Siemens. $19.4M, including installation.
2- 230kV Breakers	Stock	05/01/13 - A	Installed.
Engineered pole for 230kV bus line	3/15/13 A	8/15/13 A	Installed.
Station civil and bus line work	5/8/13 - A	6/10/13 - A	Contract award June 10 to Pike.
Transformer Salvage	3/20/13 - A	5/1/13 - A	Bid award to TCI. Salvage begins after end of 1st outage.

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
~~Transformer Delays (1st Delivery of 4)~~	~~low~~	~~minimal~~	~~$250,000~~	~~8/31/2013~~	~~Not triggered~~
~~Haul Path Delays~~	~~low~~	~~minimal~~	~~$137,500~~	~~3/15/2014~~	~~Not triggered~~
Transformer Damage (1st Delivery of 4)	low	moderate	$1,050,000	11/1/2013	Not triggered
Transformer Delays (2nd Delivery of 3)	low	minimal	$250,000	2/1/2014	Not triggered
Transformer Damage (2nd Delivery of 3)	low	moderate	$1,050,000	5/1/2014	Not triggered
Outage Window Change (Either outage window)	low	minimum	$250,000	5/9/2014	Not triggered
Labor increases/Delays	low	moderate	~~$1,137,500~~ $523,500	6/1/2014	Triggered
~~Engineering Delays~~	~~moderate~~	~~minimal~~	~~$125,000~~	~~7/1/2013~~	~~Not triggered~~
~~Material Delays~~	~~low~~	~~moderate~~	~~$250,000~~	~~9/16/2013~~	~~Not triggered~~
Construction Conflicts	moderate	minimal	$250,000	5/9/2014	Not triggered
Supplier	moderate	moderate	$525,000	5/9/2014	Not triggered

* Not triggered, Triggered-Estimated Delay=? Weeks

Total: $3,898,500 (EMV of remaining risks)

Duke-Progress Energy Merger Projects

Project Information

Project Name:	**Person – (DOM) Halifax 230kV Line: Re-conductor DOM Section (DOM Work)**
Reporting Period:	October 2013
Project Manager:	Wayne Belvin (DOM)/ Billy Harrell (Duke-Prog)
Current Phase:	Execution - Construction

Safety Summary:

No safety incidents or events

Scope of Work:

Upgrade the Person-Halifax 230kV line to 712 MVA (summer rating). DOM will re-conductor 20 miles of Dominion Virginia Power's section of the Person - DOM Halifax 230kV Line by replacing the existing 2-545.6 kcmil ACAR conductor. Work will be performed by DOM. Approximately 30 angle H-frame structures and approximately 20 tangent H-frame structures are anticipated to require replacement. Line clearances will be required to replace the angle structures. Billing will occur on a quarterly schedule and in advance of work performed. Once actuals are received the amounts will be evaluated and adjusted accordingly. Only relay setting changes are required at the Duke-Prog Person Substation.

Monthly Accomplishments:

- Dominion: LE Myers began construction on 07/02/13, as scheduled.
- All material delivery completed on August 5, 2013. Currently no material issues.
- Access roads and ROW access preparation are in progress.
- Structures 11 through 21 installed and conductor pulled within one of the more complex construction areas.

Challenges this Reporting Period:

Financial Summary (financial view with AFUDC and In-Directs)

Original Estimate at FERC Filing Plus AFUDC	Current Approved Target	Project To Date Actuals	Year to Date Actuals	Current Estimate	Variance (Target – Current Est.) FAV / (UNFAV)
$16,200,000	$21,128,000	$10,052,000	$9,988,000	$21,128,000	$0

Duke-Progress Energy Merger Projects

Project Activities/Milestones

Activity or Milestone	Planned Start Date	Planned Completion Date	Projected Completion Date	Completion Status *
Begin Conceptual Design	08/20/12	08/20/12	08/20/12	Complete
Complete Conceptual Design	11/30/12	11/30/12	11/30/12	Complete
Complete Line Engineering	12/03/12	05/01/13	05/01/13	Complete
Begin Line Construction	07/02/13	07/02/13	07/02/13	Complete
Complete Line Construction	06/01/14	06/01/14	06/01/14	On Schedule
Person-Halifax Line Clearance	08/04/13	05/04/14	05/04/14	On Schedule
Duke-Prog and Dominion Update Relay Settings at Person and Halifax	05/03/14	05/03/14	05/03/14	
Commission (Energize)	05/04/14	06/01/14	05/04/14	

* behind-recoverable / behind-unrecoverable / on schedule / complete (blank = not started)

Major Materials and Services

Major Materials & Services	Date Ordered / Issue Bid (actual or projected)	Delivery Date / Award Contract (actual or projected)	Comments
Poles (DOM)		07/2013A	Dominion acquired
Conductor (DOM)		07/2013A	Dominion acquired

Major Project Risks

Risk Item	Likelihood	Impact Level	Est. Monetary Value (EMV $'s)	Expiration Date	Status *
~~New 8 hr thermal rating could require modifications to the Duke-Progress portion of this line.~~	~~Moderate~~	~~Moderate~~	~~$148,000~~	~~12/31/12~~	~~Not Triggered~~
Dominion Virginia Power's Risk Contingency included in their estimate	Low	Moderate	$2,000,000	6/1/2014	Not Triggered

* Not triggered, Triggered-Estimated Delay=? Weeks **Total: $2,000,000** (EMV of remaining risks)

Document Content(s)